

# 2017 Legislative Update

## Tobacco and Health Trust Fund Board

### *Highlights of Bills Passed During 2017 Session:*

#### **Deficiency Bill – PA 17-51, §3-4 (SB 1059).**

- For FY 17, redirected \$9,870,397 from the Tobacco Settlement Fund to the General Fund instead of the Tobacco and Health Trust Fund. This amount was available because the actual deposit from the Tobacco Settlement Master Settlement to the State of Connecticut was \$9,870,397 over the State’s estimate. Per C.G.S. Sec. 4-28e, any Tobacco Settlement Fund moneys remaining after other statutory obligations are met are to be deposited into the Tobacco and Health Trust Fund.
- For FY 17, authorizes the OPM Secretary to transfer up to \$208,997 from the Tobacco and Health Trust Fund to the General Fund. DPH recently awarded prevention grants to implement the Board’s recommended disbursements and in aggregate, the awarded grants totaled \$208,997 less than the available amount under the Request for Proposal.

#### **Tobacco Master Settlement Agreement Law Changes – PA 17-105, §§1-3 (HB 7263)**

- Makes technical changes to Connecticut’s tobacco enforcement statutes pertaining to tobacco product manufacturers that does not result in a fiscal impact to the state
  - Allows nonparticipating manufacturers<sup>1</sup> (NPMs) to provide an alternative security to surety bonds to the Department of Revenue Services (DRS) as part of its escrow obligations, and changes the timeline from quarterly to annually; allows the bond or other security to be released when the escrow obligation has been fully satisfied
  - Lowers the maximum allowable discrepancy that NPMs may have between certain reporting requirements<sup>2</sup> from 5% to 2.5% and makes technical changes to the sales reports used to assess the discrepancy
  - Expands the authority of the Attorney General to disclose licensed cigarette and tobacco product distributor’s tax return information to any person purchasing or selling taxable cigarettes or tobacco products, not just distributors, to both participating and nonparticipating manufacturers<sup>3</sup>

#### **Restrictions on Smoking and E-Cigarettes – PA 17-146, §§35-39 (HB 7222)**

- Exempts certain medical research sites from the prohibition of smoking and e-cigarette use and allows smoking and e-cigarette use for minors if they are participating in a scientific study being conducted by an organization for the purpose of medical research to further efforts in

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<sup>1</sup> Under current law, tobacco product manufacturers must comply with the terms of the master settlement agreement or pay into a qualified escrow account a specified amount for each cigarette they sell in the state. Those manufacturers who choose the latter are known as “nonparticipating manufacturers”.

<sup>2</sup> In order to sell products in the state or have their brand listed in the CT Tobacco Directory, tobacco manufacturers must certify annually to DRS and the Attorney General (AG) that they are complying with either the MSA or complying with the requirements of an NPM. DRS is prohibited from listing NPMs in the directory if there are discrepancies between the NPM’s nationwide sales on which federal excise tax has been paid and its sales documented in federally required sales reports.

<sup>3</sup> The AG may only disclose this information if it relates to the manufacturer’s CT sales.

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tobacco use prevention and cessation, provided such medical research has been approved by the organization's institutional review board

- Clarifies that the term “vapor product” does not include medical inhalers or other therapeutic products prescribed or used by a licensed health care provider in the treatment of a patient
- Aligns the penalties for repeat offenders of selling tobacco or e-cigarettes to minors by changing all the time frames in which a higher penalty can be given to 24 month periods rather than 18 month periods

### **Miscellaneous Provisions – PA 17-147, §§28-31; §41 (HB 7312)**

- Makes people who buy a tobacco products distributor's or importer's business or product stock liable for back taxes; makes people who buy a cigarette dealer's business or product stock liable for back taxes
- Exempts cigarette sales to Veterans' Hospitals and Armed Forces members on military bases from the cigarette tax
- Tightens requirements for maintaining tobacco products tax records and establishes a civil penalty of \$1,000 per day for any distributor or importer who fails to immediately produce or provide electronic access to the records upon the commissioner's or agent's request
- Extends the definition of racketeering activity under the Corrupt Organization Racketeering Act (CORA) to include violations of certain tobacco products-related crimes, including:
  - transporting for sale, selling, or offering for sale untaxed tobacco products that should be taxed at \$2,500 or more;
  - willfully attempting to evade tobacco products taxes or failing to pay tobacco product taxes of \$2,500 or more; and
  - willfully delivering or disclosing to the commissioner or his authorized agent any list, report, account, statement, or other document known to be materially fraudulent or false.

### ***Overview of Revenue Related Sections in Governor's 10/16/17 Proposed Budget:***

1. Increase the cigarette tax from \$3.90 per pack to \$4.35 per pack (approx. \$40 million a year)
2. Increase snuff from \$1.00 per ounce to \$3.00 per ounce (approx. \$11 million a year)
3. One time “floor tax”, in which all cigarettes in inventory are updated (approx. \$5 million)